Fruit and vegetables in Saudi Arabia

Sales of fruits and vegetables in Saudi Arabia, worth SR 5.1 billion in 2011, grew by 12% per year over the 2000-2011 review period, fuelled by growing disposable income of the local households, increasing health concerns of the Saudi population and accelerating urbanisation trends, with more people buying processed foods as opposed to fresh farm produce, Euromonitor reports.

Processed fruits and vegetables were almost entirely purchased by Saudi households, with less than 7% of all sales attributable to corporate clients. Demand accelerated towards the middle of the review period, driven by increased health consciousness amongst Saudi consumers, supported by promotional activity on a company level.

Imported and licensed

Local producers lost the fight for local custom against fruit and vegetable importers, mainly from the Netherlands, India and China. At the end of the review period, foreign production accounted for 93% value share, up from 67% in 2000. Domestic production included 130 companies with combined annual turnover of SR 2 billion in 2011, 87% of this as export revenue. Locally-produced food products held an advantage over imported food products in the sense that they could be exported duty-free to any country within the GCC [Gulf Cooperation Council]. Companies including Nestlé, Bestfoods, Del Monte, Arla Food, Master Foods, PepsiCo and Danone Group all had licensees in Saudi Arabia producing their brands in order to take advantage of this legislation.

Imported products are taxed more and therefore are generally higher in price than local produce. In addition, the Saudi government encouraged domestic food production and assisted local manufacturer by providing interest-free loans and subsidies on selected equipment.

The canning of fruit and vegetables was the largest domestic business segment responsible for over 46% of local earnings. Garden peas were the leading individual production line within frozen processed vegetables, capturing 48% share of total sales in 2010. Peas were most in demand being a basic ingredient for the majority of local dishes including Bokhari (which is made of meat, rice, peas and special herbs). Packs of mixed vegetables was the second most demanded product with a 36% share, followed by green beans (10%), corn (4%) and carrots (2%).

Juice - source of revenue

The manufacture of fruit and vegetable juice was the second-largest source of revenue for local producers, generating 24% of total revenue. As Saudi consumers became more conscious of the nutritional value of products they started to switch from nectars (25-99% juice) and various products which contain preservatives and high sugar content to 100% juice. Equally, the review period witnessed a rapid expansion of the Saudi middle class, and more consumers could afford to buy juice. Manufacturers responded with 100% juice offerings, such as 100% Orange Juice with Pulp from Almarai which was introduced in 2010.

Premium brands in fruit/vegetable juice, such as Caesar, competed via their superior packaging and selective distribution. Standard brands such as Al Rabie and Almarai relied heavily on widespread product distribution and prominent shelf positioning, coupled with in-store support and above-the-line campaigns. Economy brands, such as Jumbo, had their distribution limited to supermarkets and convenience stores in areas in which low- to middle-income consumers reside.

Juice drinks (up to 24% juice) are predominantly purchased by Saudi parents whose children attend school, and manufacturers focus on in-store promotions, such as discounts on bulk purchases, in order to attract these shoppers. Another focus point was higher product penetration through convenience stores.

The review period saw numerous new product launches in the country, such as strawberry-flavour products in nectars introduced by Almarai, and more intensive marketing, such as outdoor campaigns by Al Rabie AlSaudia Dairy.

Availability

Supermarkets/hypermarkets accounted for a 51% share of off-trade volume sales of fruit/vegetable juice in 2010, as this channel offers quality storage facilities, ambient temperatures, attractive shelf displays and sales promotions in their outlets. Meanwhile, an increasingly popular culture of eating out in Saudi Arabia contributed to on-trade sales growth. In addition to the traditional distribution in cafés and restaurants, juices and juice drinks were introduced in fast-food outlets such as McDonalds and Burger King.

Orange remained the preferred juice flavour in Saudi Arabia, followed by mango. Products with orange were popular due to the high Vitamin C content, which made orange juice a popular drink with breakfast and other meals. The production side of orange and mango drinks benefited from domestic availability of exotic fruits, due to the warm climate.

Leading suppliers

Almarai was one of the leading juice manufacturers in Saudi Arabia. Originally a dairy company, Almarai has recently diversified into fruit/vegetable juice, benefiting from its trustworthy image and well-known Al Marai brand. It continued to invest heavily in marketing, particularly advertising through outdoor media, as well as new product launches in 2010 such as 100% Orange Juice with Pulp in 100% juice and strawberry flavour products in nectars (25-99% juice). Furthermore, the company's variety in terms of pack sizes and differentiation in terms of product flavours helped it to increase sales at the end of the review period.

Al Rabie AlSaudia Dairy was another dairy company that entered the Saudi juice market over the review period, with its extensive product range and a versatile array of pack sizes. The company benefited from its widespread distribution network, with a strong presence in supermarkets/ hypermarkets and convenience stores. The company's products were mostly placed at or above eye level in chiller cabinets in order to increase visibility.

Business-to-business transactions dominated the fruit and vegetables supply chain, capturing 59% of all turnover in 2011, up by five percentage points on 2000. Expenditure on labour was stable at 9-10% of turnover over the review period.

Demand expected to grow

Demand for fruit and vegetable products in Saudi Arabia is expected to continue growing over the forecast period, supported by the country's rich oil-based economy, increasing disposable income of Saudi households and rapidly expanding retail trade, all of which stimulate final consumption of foods. Growth within fruit and vegetables will be driven by the introduction of new products, such as multi-vitamin juice, and improvements in packaging which should eventually lead to extended product lifecycles.

Another trend pushing demand in 2012-2017 will be the increasing westernisation of the country and thus the greater number of young women in employment. Sales of canned and frozen processed vegetables will increase as these products provide an easy solution for faster home-prepared meals. Total turnover is anticipated to grow by 11% per year over the 2012-2017 forecast period, to reach SR 3.8 billion in 2017, says the Euromonitor report.